

Annual Report
2011





Head office

Our Mission

Region-Based Operations and Sound Management

Maintaining a close relationship with the communities in the region where we operate, we will contribute to the prosperity of the region and the development of its economy, with a commitment to sound management that enjoys the trust of our customers, while bolstering our business operations.



Management Vision

Creating a prosperous future together with the local community through the provision of high-quality financial services

Future Creation Plan 2013 Medium-Term Management Plan: Basic Strategies

- “Strengthen marketing capabilities”
- “Strengthen the management base”
- “Contribute to the local community and the region”

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Profile (as of March 31, 2011)

Corporate Name:	The Yamanashi Chuo Bank, Ltd.
Head Office:	20-8, Marunouchi 1-chome, Kofu, Yamanashi
Established:	December 1, 1941
President:	Nakaba Shindo (as of June 29, 2011)
Common Stock:	¥15,400 million
Number of Shares Issued:	184,915,000 shares
Stock Listing:	First Section of Tokyo Stock Exchange
Long-Term Credit Rating:	A+ (Rating and Investment Information, Inc.)
Network:	Domestic: 91 locations (Head Office and Branches: 89, District Offices: 2) Corporate Sales Offices: 1 Overseas: Hong Kong Representative Office
Businesses:	The Yamanashi Chuo Bank Group comprises the Yamanashi Chuo Bank and four consolidated subsidiaries. Centered on its core banking business, the Group provides an integrated financing service that includes a leasing and credit-card business. The Bank is the leading local bank in Yamanashi Prefecture, and its sphere of operations encompasses both the prefecture and the western part of the Tokyo metropolitan region.

Forward-looking statements

Statements contained in this report regarding the Bank's future performance do not constitute statements of historical fact, and are thus subject to a number of risks and uncertainties. Readers are therefore cautioned not to place undue reliance on forward-looking statements, as factors beyond the Bank's control and outside its ability to predict, including general economic conditions and market fluctuations, could cause results to diverge materially from the Company's projections.

Consolidated Financial Highlights

The Yamanashi Chuo Bank, Ltd. and Consolidated Subsidiaries
Fiscal years ended March 31

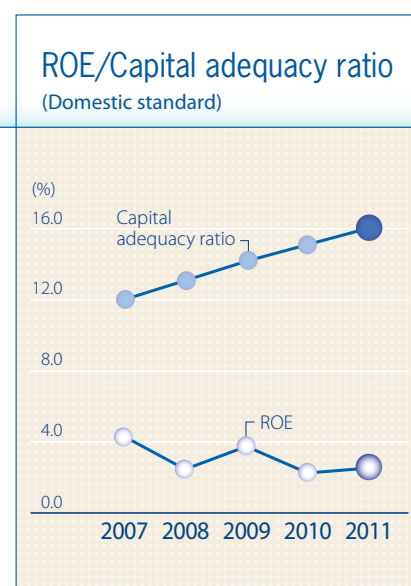
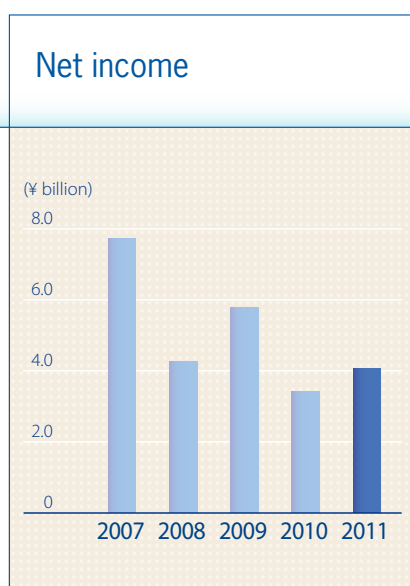
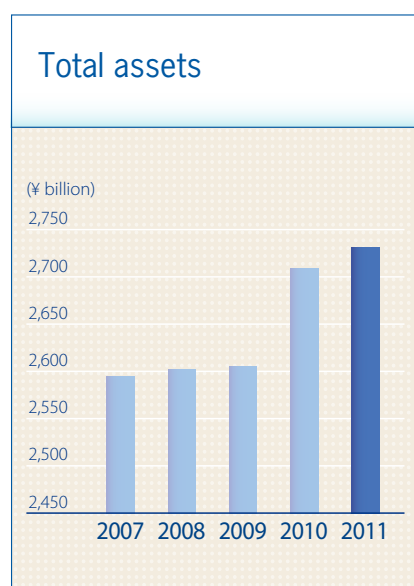
Millions of yen

	2007	2008	2009	2010	2011
Ordinary Income	61,610	67,206	60,333	57,423	54,514
Ordinary Profit	17,066	8,363	7,383	6,913	8,013
Net Income	7,721	4,252	5,774	3,475	4,056
Comprehensive Income	—	—	—	—	(5)
Net Assets	184,836	161,799	146,722	161,976	159,424
Total Assets	2,595,307	2,602,302	2,605,532	2,709,198	2,731,372
Net Assets per Share (Yen)	998.34	874.47	793.66	875.40	878.10
Net Income per Share (Yen)	41.83	23.04	31.31	18.85	22.23
Capital Adequacy Ratio (Domestic Standard, %)	12.03	13.11	14.20	15.23	16.07
Return on Equity (%)	4.32	2.46	3.75	2.25	2.53
Price Earning Ratio (Times)	19.17	26.11	16.44	21.79	18.16
Cash Flows from Operating Activities	(91,072)	29,565	137,248	92,036	44,621
Cash Flows from Investing Activities	26,017	(21,584)	(66,253)	(135,694)	(61,293)
Cash Flows from Financing Activities	(1,002)	(1,151)	(1,102)	(1,117)	(2,551)
Cash and Cash Equivalents	52,317	59,142	129,018	84,251	65,030

Notes

(1) Amounts do not include consumption and local taxes payable by the Bank and its consolidated subsidiaries.

(2) Capital ratio is calculated on a consolidated basis in accordance with the Bulletin Notification No. 19 issued by the Financial Services Agency in 2006 under Paragraph 2, Article 14 of the Banking Law).



Message from the President



I would first like to extend my heartfelt sympathy to all of those affected by the Great East Japan Earthquake disaster of March 2011, and extend my fervent wishes for a swift recovery in the affected areas.

I would also like to take this opportunity to thank our shareholders and other stakeholders for their steadfast support for the Bank and its Group companies.

On top of worldwide economic structural changes and increasingly serious environmental problems, Japan is faced with the issue of a relentlessly shrinking population. In response to these changes in our business environment, we at the Yamanashi Chuo Bank are making ever more determined efforts to perform our role as a community-based financial institution, by emphasizing relationship banking and facilitating business and consumer funding, thereby supporting corporate customers business operations and helping maintain the standard of living of our retail customers.

Below, we present an overview of our business performance for fiscal 2010 (from April 2010 to March 2011), together with a report on future management plans.

Nakaba Shindo, President

Overview of fiscal 2010 performance

Between summer and the beginning of the autumn 2010, the Japanese economy stalled as government stimulus measures were phased out amid a persistently high Japanese yen, but the overall tone was one of moderate recovery on the back of expansion in overseas demand. However, both demand and production were severely impacted when the Great East Japan Earthquake hit in March 2011, plunging the economy into uncertainty.

How did financial indicators react to this disaster? The Nikkei average of share prices had turned upwards after bottoming in the summer, but after the earthquake, it fell steeply as economic clouds gathered. The yen remained persistently high on foreign exchange markets.

The economy of Yamanashi Prefecture, which is the principal business base of the Group, had sustained rising production despite weakness in consumer spending and capital investment, and displayed overall recovery momentum. After the earthquake disaster, industrial production stalled and consumer sentiment cooled dramatically.

Against this financial and economic backdrop, the management and employees of the Bank worked hard together to meet targets in the Future Creation Plan 2013 Medium-Term Management Plan (April 2010 to March 2013), with the goal of expanding our business and earnings power while streamlining operations and generating improved efficiencies.

During the period under review, we took steps to improve customer satisfaction and our ability to offer solutions, as part of our basic strategy of strengthening marketing under the medium-term plan.

In particular, we began providing needed solutions to business issues faced by customers, in partnership with public and private sector support institutions including the University of Yamanashi and the Yamanashi Industrial Support Foundation, through Yamanashi Chugin Management Support Coordination Services.

We also obtained approval from the Ministry of Economy, Trade and Industry to participate actively in the SME Support Center Business, and remain committed to fostering and strengthening local industry

in partnership with local communities. We likewise expanded our business-matching functions including Yamanashi Food Sector Business Matching Fair and the Regional Banking Food Selection event, in support measures to develop and expand marketing channels for farm local industries, and also offered our Business Succession Service, in which we offer advice on succession matters to owners of small and medium-sized enterprises.

In new products for corporate customers targeting growth business areas, we began offering the Yamanashi Chugin "Growth Platform Reinforcement Fund" in line with the same program under the Bank of Japan. Additionally, to offer various types of support to borrowers aiming to reduce their environmental impact, we established the Yamanashi Chuo Bank Environmental Rating-based Credit System (with subsidized interest rates) following the model established by the subsidized interest rate program of the Japanese government.

We continued to aggressively meet the diversified asset management needs of our retail banking customers, through initiatives such as the launch of services for marketing of fixed compound-interest rate time deposits and foreign-currency deposit management using ATMs, introduction of new investment trust and life insurance products, and organization of a wide range of seminars. To respond to the funding needs of customers over their whole lifespans, we continued to offer interest rate plans for mortgage loans, and arranged special interest rate incentives on educational and car purchase loans.

With respect to local government organizations, we took active steps to support rationalization and efficiency in their public funding operations, including the proposed introduction of a range of services such as the Yamanashi Chugin convenience store utility payment service and the Pay-easy utility payment service.

As a result of the foregoing, ordinary income on a consolidated basis in the year ended March 2011 declined by ¥2,909 million to ¥54,514 million. Ordinary profit, however, increased by ¥1,099 million to ¥8,013 million, and net income by ¥581 million to ¥4,056 million.

In the Bank's main accounts, the term-end balance of total deposits on a consolidated basis (including negotiable certificates of deposit)

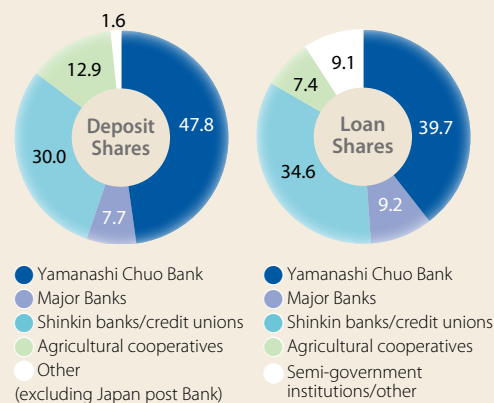
The Economy of Yamanashi Prefecture — Our Business Base (fiscal 2010)

General Prefectural Production: **¥3,170 billion**
 Real Growth Rate: **-2.8%**
 Shipment Value of Production in Prefecture: **¥1,900 billion**

Major Products and Their Share in Japanese Market

Products	Shipment Value (¥ billion)	Share (%)	Ranking
Precious Metal Products	38.4	33.2	No. 1
Wine	14.7	26.6	No. 1
Mineral Water	18.3	21.0	No. 1
Wafer Processing Equipment	143.4	19.5	No. 1
Other Industrial Robots	60.2	16.6	No. 2
Flat-Panel Display Manufacturing Equipment	80.7	10.9	No. 3
Medical Apparatus and Instruments	48.6	8.3	No. 3

Shares in Yamanashi Pref. (%) (as of March 31, 2011)



posted a year-on-year increase of ¥39.4 billion to ¥2,505.8 billion. This was the result of our expansion of range of products and services designed to respond promptly and appropriately to the increasingly diversified asset management needs of our customers at a time of persistent low interest rates. Over-the-counter sales of Japanese government bonds and investment trusts posted a year-on-year decline of ¥2.2 billion to ¥229.9 billion. We actively expanded loans to individuals and second-tier and SME companies, despite a climate of weak overall funding demand, by ¥24.2 billion to ¥1,516.6 billion. We also aggressively responded to funding demand from public bodies including local governments. In addition to underwriting government-guaranteed and municipal and other public bonds, efficient management of our portfolios with a close eye on the investment environment and market trends enabled us to increase our balance of investment securities by ¥46.6 billion to ¥1,091.8 billion.

Future management policies

The earthquake disaster of March 2011 has cast a long shadow over the Japanese economy. Even in the areas forming our business base, some way away from the disaster zones, we are concerned that corporate profitability would be affected by reduced sales and orders, and for the foreseeable future we expect such uncertainties to continue. We also see a wide variety of other social and economic changes becoming apparent, including the emergence of China and other Asian nations, a worsening of global environmental problems, as well as further decline in the birthrate and an increased rate of population ageing in Japan.

Against that background of change, the Group attaches still more importance to its role in ensuring prosperity and economic development for the local community as a regional financial institution.

At the same time, in finance, competitive pressures are growing steadily, with the expansion of business by Japan Post Bank Co., Ltd., and the entry into banking of companies from outside the sector due to progress in deregulation. We also expect further pressures on management of business fundamentals such as new capital adequacy

regulations (Basel III) and introduction of international financial reporting standards (IFRS).

In April 2010, the Bank launched its Future Creation Plan 2013 medium-term management plan covering the period April 2010 to March 2013. Under this plan, we aim to ensure high-quality financial services to build the foundations of our future in partnership with our community.

Amid an unforgiving economic environment, we have identified three basic strategies — strengthening marketing capabilities, strengthening our management base, and contributing to the local community and region — as means of improving customer loyalty over the long-term, and establishing a highly sound, low-cost, high-profit earnings structure for the Bank. We will move swiftly to realize our future vision for the Bank.

As part of our basic IT upgrades for realizing the strategies laid out in the medium-term plan, in October 2011 we made our new KeyMan integrated loan support system fully operational. Through this system, we aim to streamline and rationalize lending operations at all branches, communicate more effectively with customers, expand our range of solution services and otherwise increase the effectiveness of our marketing activities.

In addition, to facilitate business activity and livelihood stability for our customers at a time of harsh economic pressures, we are further strengthening measures in areas such as relationship banking and funding facilitation.

For customers affected directly or indirectly by the earthquake disaster, we are proactively offering cash flow management advice, if needed, through deployment of advisors at branches and launch of a special loan facility.

Looking ahead, we at the Yamanashi Chuo Bank are convinced that we can contribute to the prosperity of local society and economic development as a united team.

President

Nakaba Shindo

Future Creation Plan 2013 Medium-Term Management Plan

Overview

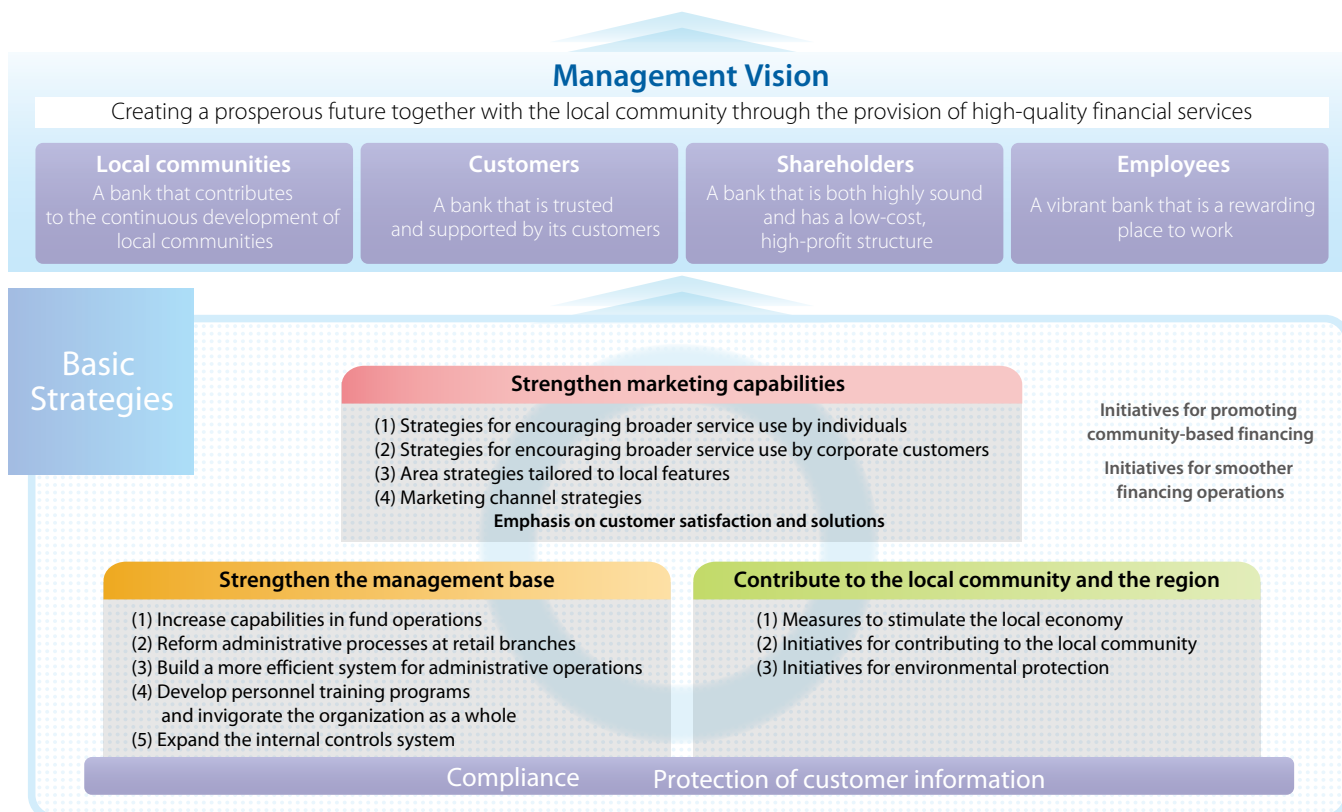
In line with the Bank's Management Philosophy – "Region-Based Operations and Sound Management" – the goal of our new medium-term management plan is to even more actively perform our role of facilitating the growth of the regional economy and the prosperity of the local community. We aim to do this by creating a prosperous future together with the local community through the provision of high-quality financial services.

For this purpose, we must raise customer loyalty by making the Yamanashi Chuo Bank into a financial institution that is both highly sound and has a low-cost, high-profit structure. To do this, we have decided to tackle three strategic themes: strengthening our marketing capabilities, strengthening our management base, and

contributing to local communities.

We have drawn up a Code of Conduct incorporating five sets of principles for observance by all our staff, from the executive level downward. They are: gratitude and humility; confidence and pride; honesty and sincerity; effort and endeavor; and trust and affection. Through the observance of these principles, we believe that we will make progress in realizing the Bank's corporate social responsibility and thereby improve customer satisfaction, and that we will nurture an attitude of self-reliance and self-responsibility among all our employees and thus attain the goals of our medium-term management plan.

Our Mission: Region-Based Operations and Sound Management



Code of Conduct "Gratitude and Humility" "Confidence and Pride" "Honesty and Sincerity" "Effort and Endeavor" "Trust and Affection"

Target Business Indicators (FY2012)

Gross banking profit on core operations	Net business profit on core operations	OHR	ROA	ROE	Capital ratio	NPL ratio	Average loan balance	Average deposit balance
¥44 bn or above	¥14.5 bn or above	67% or under	0.5% or above	3.3% or above	14% range	3% range	¥1,570 bn	¥2,600 bn

CSR within the medium-term management plan

At the Yamanashi Chuo Bank, we are working to fulfill our corporate social responsibilities, as we recognize that this, along with sustained value creation and improved competitiveness, is essential in forging even stronger ties with all our stakeholders, including our customers and shareholders, other market investors, our employees, and the regional community. In addition to contributing to regional revitalization through our core businesses, we will take further measures to contribute to society and protect the environment to meet our obligations as a corporate citizen.

Contribute to the Regional Community – Strengthening CSR Initiatives



Held "Yamanashi Food Matching Fair"

Detailed business talk Scheduling

Find out from external buyers the best ways of displaying food products

Matching Fair

Hosted a follow-up meeting

Results of "Yamanashi Food Matching Fair 2010" (As of March 31, 2011)

- Number of business meetings held: **1,554**
- Matches made at business meetings (contracts concluded): **149**
- Yamanashi Chuo Bank's new loan contracts: **47 companies**



Regional Economic Revitalization Initiatives

- Industry revitalization through regional cooperation
- Participate in regional development
- Support for regional economic revitalization linked to government policies



Publication of "Business Chances Directly from the University of Yamanashi" (1st issue: June 28, 2006)

Sustainable Development of the Regional Community

Environmental Initiatives

- Environmental business initiatives through Bank's main line of business
- Initiatives to reduce Bank's environmental impact
- Ongoing, proactive environmental conservation initiatives based on cooperation with local communities

Contributing to the Regional Community

- Educational support
- Promotion of culture, arts, sports, etc.
- Social contribution activities, in welfare etc.



Solar power unit



Environment-friendly products



Holding financial courses at universities



Promotion of sports in Yamanashi Prefecture through volleyball

Community-Based Financial Services

Basic Policy

The provision of community-based financial services is essential for the Bank, and our Future Creation Plan 2013 Medium-Term Management Plan (April 2010 – March 2013) embodies this principle.

The Bank hopes that the proper implementation of the various measures planned under Future Creation Plan 2013 will lead to significant progress in turning the Bank into a truly community-based financial institution.

The three priority fields of business we have drawn up specific targets to be achieved

1. Customized financial support for corporate customers
2. Close evaluation of enterprise value as part of credit screening process, and other methods ideal for use with small and medium-sized corporate customers
3. Helping realize a sustainable regional economy through collection and provision of vital information

We will push forward with community-based financial services through our efforts to farther raise the quality of the banks services to regional customers.

Our Mission: Region-Based Operations and Sound Management

Future Creation Plan 2013 Medium-Term Management Plan

Promoting community-based financing

Specific efforts (April 2010 to March 2013)

Customized financial support for corporate customers

- 1
 - ◆ Initiatives for supporting the creation and opening of new businesses
 - ◆ Initiatives for supporting administrative improvement and revitalization of business
 - ◆ Initiatives for business succession

Close evaluation of enterprise value as part of credit screening process, and other methods ideal for use with small and medium-sized corporate customers

- 2
 - ◆ Expanding our menu of loan products for second-tier corporations and SMEs
 - ◆ Improving capabilities in the assessment of enterprise value by training highly specialized staff

Helping realize a sustainable regional economy through collection and provision of vital information

- 3
 - ◆ Helping revitalize local economy
 - ◆ Making contributions to community life

Enhancing customer loyalty

Establishing a structure that is highly sound, low-cost, and high-profit

Creating a prosperous future together with the local community through the provision of high-quality financial services

Disclosure to regional customers

Corporate growth assistance through collaboration with technological advisors (April 2001 to March 2011)

Number of investment target and borrower enterprises, investment amount	178 ¥13.2 bn	In the field of corporate growth support, since employment of business advisors in April 2001, we have provided consulting services to 459 companies regarding expansion of marketing channels and evaluation of potential of business.
Number of business matching deals	67 lines	

Yamanashi Chugin Management Support Coordination Services, and corporate customer support through business matching services (April 2005 to March 2011)

Number of companies that have received support (problem-solving) from Yamanashi Chugin Management Support Services	506	The coordination services utilizes a network of contacts linking the Bank with external institutions to offer corporate customers tailored proposals backed up by specialist know-how (Jan. 2006-March 2011)
Number of business matching deals successfully concluded via the Bank's network or Bank-sponsored business meetings	1,336	Business matching has been achieved by using the Bank's network to provide data on customer companies, as well as business fairs such as the Yamanashi Food Sector Business Matching Fair, the Regional Banking Food Selection, etc. (FY2005-2010)

Achievements in Support for Management Improvement (April 2010 to March 2011)

Debtors (excluding normal borrowers) as of the start of term: A	2,772
Of which, those receiving management improvement support: a	117
Of which, those upgraded their debtor categories as of the term-end: b	8
Of which, those drawing up reconstruction plans: c	70
Percentage receiving management improvement support: (a/A)	4.2%
Percentage upgraded: (b/a)	6.8%
Percentage drawing up reconstruction plans: (c/a)	59.8%

Corporate Banking

Contributing to regional economic revitalization

In cooperation with external organizations, the Yamanashi Chuo Bank Group works to provide high-quality financial services through the construction of a support framework for the founding and start-up phase of new businesses, as well as for business development and revitalization.

In the reporting term, ended March 2010, we continued to enhance funding services for local enterprises in the commercial and industrial sectors, the tourism and service sectors, and the agricultural sector. We also strengthened our capabilities in management consultation to assist the development of venture companies and facilitate lending without an excessive reliance on collateral and guarantors. A number of business matching events, as well as promotional events for agricultural produce and manufactured goods from Yamanashi Prefecture, were successfully held to achieve our goal.

Specifically, we collaborated with a large number of external support institutions, including the University of Yamanashi and the Yamanashi Industry Support Organization, to collect information over a wide spectrum of activities and provide it to our customers. We also obtained approval from the Ministry of Economy, Trade and Industry to participate actively in the SME Support Center Business, and are committed to fostering and strengthening local industry in partnership with local communities. We likewise expanded our business matching services including Yamanashi Food Sector Business Matching Fair and the Regional Banking Food Selection event, as support measures to develop and expand marketing channels for farm produce, and also worked through our Business Succession Service, in which we offer advice on succession matters to owners of small and medium-sized enterprises.

In new products to support customers targeting growth business areas, we began offering the Yamanashi Chugin "Growth Platform Reinforcement Fund" in line with the same program under the Bank of Japan. These supplemented our institutional lendings and private debts services in our contribution to the local economy. For customers affected directly or indirectly by the earthquake disaster, we are proactively offering cash flow management advice, if needed, through deployment of advisors at branches and launch of a special loan facility with special interest rates. The total of loans outstanding at SMEs as of March 2011 was down by ¥14.3 billion to ¥483.4 billion, accounting for 32% of all loans outstanding.

The Bank will remain committed to providing support for local companies, which are the mainstay of the regional economy, with integrated financial services designed to meet their diverse requirements.



The Regional Banking Food Selection Event

Coordinators for industry-academia collaboration (with the University of Yamanashi)



Consumer Banking

Commitment to improving loans and customer convenience

During the reporting period we implemented a number of measures to meet a diverse array of funding needs. These included introducing new products in our lineup of investment trusts and insurance plans, conducting various marketing campaigns, and holding explanatory seminars for potential customers. In our financial products intermediary business, we not only expanded the lineup of



Seminar for senior citizens on personal asset management

products handled, but also from February 2010 increased to nine the number of Bank branches handling these products within Yamanashi Prefecture.

To Satisfy funding needs over customers' lifespans, we continued to promote preferential mortgage loan interest rate plans and education loan products, and in May 2009 we began opening our Loan Square Kofu Branch on Sundays.

The balance of loans to individuals at the fiscal year-end decreased by ¥13.8 billion from the previous year-end, to ¥377.1 billion, accounting for 25% of all loans. The balance of housing loans outstanding at the year-end stood at ¥361.4 billion, down ¥5.4 billion from the previous year-end.

Western Tokyo Bloc

Potential for greater profitability and efficiency than in Yamanashi Prefecture

The Bank continued to develop the market in the western part of the Tokyo Metropolitan Area, which we refer to for marketing purposes as the Western Tokyo Bloc. Bordering Yamanashi Prefecture to the east, the western part of Tokyo in which we operate is a large market, home to around 5.28 million people and 170,000 places of business, and has tremendous growth potential.

As of March 31, 2011, we had 13 branches in the bloc, and most of them have been in operation for 30 to 40 years. They are well established in local communities.

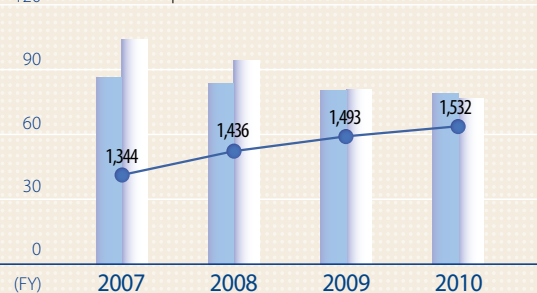
The Bank's current medium-term management plan involves turning this marketing bloc into a significant revenue base. To this end, we are aggressively developing new sales bases and rebuilding sales promotion system for each branch. Through these investment of management resources and efficient management, we will be enhancing marketing activities, so as to achieve profitability and efficiency greater than in Yamanashi Prefecture.

As for our fiscal 2010 performance, personal loans decreased by ¥1.3 billion (1.6%) year-on-year to ¥79.0 billion, and business loans experienced a year-on-year decrease of ¥4.1 billion (5.2%) to ¥76.8 billion.

The number of separate recipients of business loans increased by 39 from the previous year for a total of 1,532 corporate borrowers now on our books. The loan RAROA (earnings after deduction of credit cost/loans), a prime indicator of profitability, was better than the equivalent for any of the districts of Yamanashi Prefecture, displaying the excellent profitability of our operations in the western Tokyo area.

Loans and corporate borrowers in Western Tokyo Bloc

(¥ billion) ■ Personal loans ■ Business loans ● Corporate borrowers



* Local public bodies are included in corporate borrowers

Financial Review (on a consolidated basis)

Operating Environment

Between summer and the beginning of the autumn 2010, the Japanese economy stalled as government stimulus measures were phased out amid a persistently high Japanese yen, but the overall tone during the fiscal term under review was one of moderate recovery on the back of expansion in overseas demand. Both demand and production were, however, severely curtailed when the Great East Japan Earthquake hit, plunging the economy into uncertainty.

Turning to financial indicators in this time, the Nikkei average of share prices had turned upwards after bottoming in the summer, but after the earthquake disaster, it fell steeply as economic clouds gathered. The yen remained persistently high on foreign exchange markets.

The economy of Yamanashi Prefecture, the business base of the Group, had sustained rising production despite weakness in consumer spending and capital investment, and overall displayed recovery momentum. However, after the earthquake disaster industrial production stalled and consumer sentiment cooled dramatically. The outlook for the prefecture is discouraging.

Overview of Earnings

Although interest income declined, gross banking profit increased on higher income from fees and commissions and improved earnings on bond transactions including Japanese government bonds. Personnel expenses increased, due chiefly to the costs of a changeover to our next generation computer system for core banking operations.

Non-performing loan disposal costs also decreased significantly from the previous year, with the effects of a more rigorous calculation approach for the allowance for possible loan losses more than offset by the effects of proactive consultation and support with rehabilitation to raise management standards at borrower companies.

In line with the plunge in share prices caused by the Great East Japan Earthquake, earnings from shares and other securities deteriorated due chiefly to significant write-down costs on shareholdings.

As a result of the foregoing, ordinary income declined ¥2,909 million year-on-year to ¥54,514 million, while ordinary profit increased by ¥1,099 million to ¥8,013 million. Net income grew ¥581 million to ¥4,056 million.

Overview of Principal Accounts

Deposits excluding negotiable certificates of deposit increased by ¥34.9 billion to ¥2,348.6 billion, due chiefly to increases in accounts held by both individuals and corporations. This reflected our measures to broaden our range of products and services tailored to the diversifying asset management needs of our customers, at a time of persistent low interest rates. Deposits including negotiable certificates of deposit increased by ¥39.4 billion to a term-end balance of ¥2,505.8 billion.

The balance of Japanese government bonds and investment trusts sold over-the-counter totaled ¥229.9 billion at the end of the term, down ¥2.2 billion.

Loans and bills discounted increased ¥24.2 billion during the term to ¥1,516.6 billion. Although funding demand remained at a low ebb overall, the Bank took effective measures to expand lending to individuals and smaller companies, combined with a proactive response to funding demand from local governments and other public bodies.

The balance of securities at the term-end increased ¥46.6 billion to ¥1,091.8 billion on the back of underwriting government-guaranteed, municipal and other public debt, and more effective portfolio management with a close eye on the investment environment and market trends.

The consolidated capital adequacy ratio (by domestic standards) increased 0.84 percentage points to 16.07%.

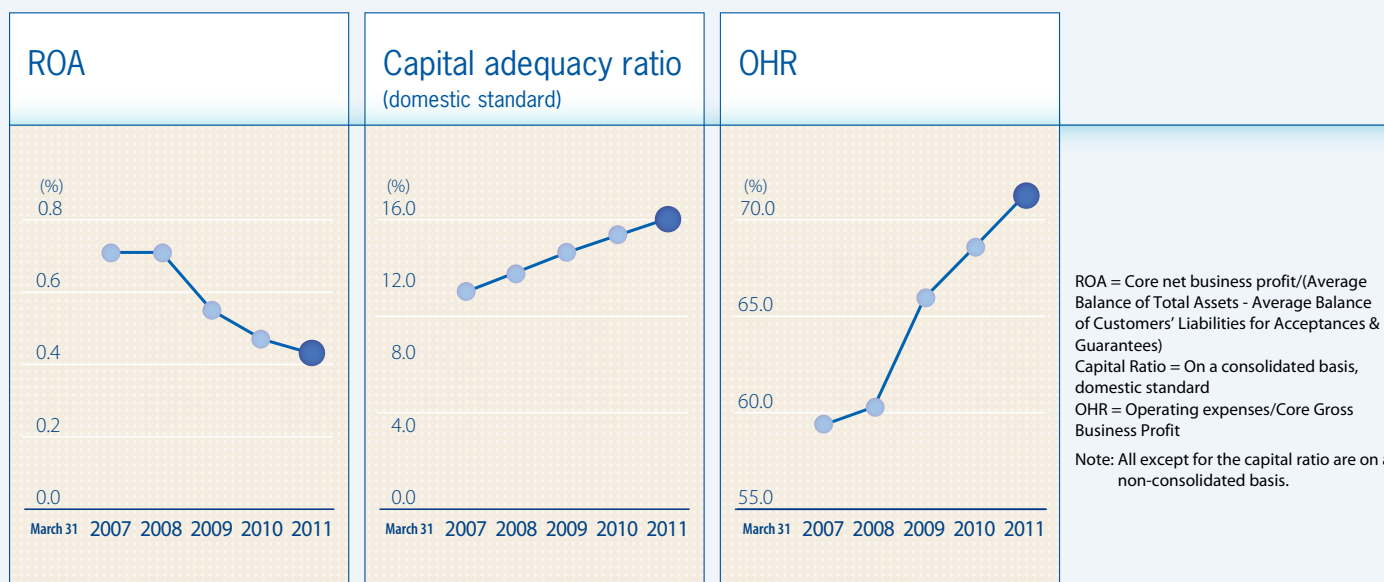
Cash Flows

Net cash provided by operating activities amounted to ¥44.6 billion (compared with net cash inflows of ¥92.0 billion in the previous term), mainly reflecting an increase of ¥39.4 billion in deposits, a decrease of ¥39.4 billion in call loans, an increase of ¥24.2 billion in loans and bills discounted and a decrease of ¥21.3 billion in borrowed money.

Net cash used in investing activities totaled ¥61.2 billion (compared with a net outflow of ¥135.6 billion in the previous term), with sales and redemptions of investment securities in the total of ¥191.5 billion outweighed by purchases totaling ¥248.5 billion.

Net cash used in financing activities amounted to ¥2.5 billion (compared with a net outflow of ¥1.1 billion in the previous term), partly as a result of purchases of treasury stock in the amount of ¥1.4 billion and payment of dividends totaling ¥1.1 billion.

Cash and cash equivalents at the end of the term accordingly totaled ¥65.0 billion (down ¥19.2 billion from the previous term).



【Consolidated Financial Statements】

①【Consolidated Balance Sheets】

	Millions of Yen		Thousands of U.S. Dollars
	End of Current Fiscal Year (March 31, 2011)	End of Previous Fiscal Year (March 31, 2010)	End of Current Fiscal Year (March 31, 2011)
Assets:			
Cash and due from banks	¥65,200	¥84,472	\$784,132
Call loans and bills bought	13,234	53,153	159,167
Monetary claims bought	10,515	10,041	126,470
Trading securities	40	8	487
Securities ※1, ※8, ※13	1,091,852	1,045,175	13,131,122
Loans and bills discounted ※2, ※3, ※4, ※5, ※6, ※7, ※10	1,516,665	1,492,384	18,240,109
Foreign exchanges ※6	771	459	9,274
Other assets ※8, ※9	16,785	18,551	201,875
Tangible fixed assets ※11, ※12	25,658	26,574	308,581
Buildings	8,837	9,121	106,287
Land	13,363	13,420	160,710
Lease assets	42	269	514
Construction in progress	223	399	2,689
Other tangible fixed assets	3,191	3,363	38,381
Intangible fixed assets	8,294	6,272	99,752
Software	7,740	943	93,094
Software in progress	—	4,652	—
Lease assets	8	109	101
Other intangible fixed assets	545	567	6,557
Deferred tax assets	600	761	7,226
Customers' liabilities for acceptances and guarantees	7,222	8,316	86,866
Allowance for possible loan losses	(25,470)	(36,972)	(306,324)
Total assets	¥2,731,372	¥2,709,198	\$32,848,738

	Millions of Yen		Thousands of U.S. Dollars
	End of Current Fiscal Year (March 31, 2011)	End of Previous Fiscal Year (March 31, 2010)	End of Current Fiscal Year (March 31, 2011)
Liabilities:			
Deposits ※8	¥2,348,666	¥2,313,758	\$28,246,135
Negotiable certificates of deposit	157,211	152,658	1,890,699
Call money and bills sold	922	—	11,100
Borrowed money ※8, ※9	26,191	47,528	314,985
Foreign exchanges	84	92	1,019
Other liabilities	22,730	15,494	273,368
Accrued bonuses to directors and corporate auditors	31	23	376
Liability for employees' retirement benefits	7,467	7,155	89,802
Reserve for directors' and corporate auditors' retirement benefits	539	461	6,483
Reserve for reimbursement of deposits	332	226	4,002
Reserve for contingent losses	246	300	2,968
Deferred tax liabilities	301	1,204	3,626
Acceptance and guarantees	7,222	8,316	86,866
Total liabilities	2,571,948	2,547,221	30,931,429
Net assets:			
Common stock	15,400	15,400	185,207
Capital surplus	8,287	8,307	99,668
Retained earnings	122,889	122,029	1,477,923
Treasury stock	(1,836)	(2,507)	(22,085)
Total shareholders' equity	144,740	143,229	1,740,713
Unrealized gains on available-for-sale securities	13,798	18,088	165,951
Deferred losses on derivatives under hedge accounting	(0)	(0)	(0)
Total accumulated other comprehensive income	13,798	18,088	165,950
Minority interests	885	659	10,646
Total net assets	159,424	161,976	1,917,309
Total liabilities and net assets	¥2,731,372	¥2,709,198	\$32,848,738

②【Consolidated Statements of Income and Consolidated Statements of Comprehensive Income】

【Consolidated Statements of Income】

	Millions of Yen		Thousands of U.S. Dollars
	Current consolidated fiscal year (From April 1, 2010 to March 31, 2011)	Previous consolidated fiscal year (From April 1, 2009 to March 31, 2010)	Current consolidated fiscal year (From April 1, 2010 to March 31, 2011)
Ordinary income:	¥54,514	¥57,423	\$655,616
Interest and dividends income	38,674	40,565	465,114
Interest on loans and bills discounted	25,675	27,979	308,783
Interest and dividends on securities	12,817	12,367	154,146
Interests and dividends on call loans and bulls purchased	89	125	1,077
Interest on due from banks	7	10	93
Others	84	82	1,015
Fees and commission	7,639	7,482	91,874
Other operating income	6,718	7,064	80,805
Other ordinary income ※1	1,481	2,311	17,822
Ordinary expenses	46,500	50,509	559,240
Interest expenses	2,281	3,935	27,440
Deposits	1,962	3,387	23,605
Negotiable certificates deposits	254	377	3,062
Call money and bills sold	0	55	7
Borrowed money	38	27	461
Other	25	86	305
Fees and commission	1,748	1,714	21,031
Other operating expenses	4,854	5,466	58,381
General and administrative expenses	30,871	29,243	371,272
Others	6,744	10,150	81,115
Provision for allowance for possible loan losses	2,204	7,847	26,513
Other ordinary expenses ※2	4,540	2,303	54,602
Ordinary profit	8,013	6,913	96,375

	Millions of Yen		Thousands of U.S. Dollars
	Current consolidated fiscal year (From April 1, 2010 to March 31, 2011)	Previous consolidated fiscal year (From April 1, 2009 to March 31, 2010)	Current consolidated fiscal year (From April 1, 2010 to March 31, 2011)
Extraordinary income:	72	113	868
Bad debts recovered	42	15	512
Transfer of reserve for reimbursement of deposits	—	82	—
Proceeds from condemnation	—	15	—
Other extraordinary income	29	—	357
Extraordinary losses	647	142	7,792
Impairment losses	307	27	3,694
Losses on sales on tangible fixed assets	230	114	2,770
Loss on accompanying applied to accounting standard for assets retirement obligations	110	—	1,329
Income before income taxes and minority interests	7,437	6,885	89,452
Income taxes	683	1,927	8,215
Current	1,122	—	13,497
Deferred	1,351	1,280	16,248
Total income taxes	3,156	3,208	37,961
Income before minority interests	4,281	—	51,491
Minority interests	224	201	2,702
Net income	¥4,056	¥3,475	\$48,789

【Consolidated Statements of Comprehensive Income】

	Millions of Yen		Thousands of U.S. Dollars
	Current consolidated fiscal year (From April 1, 2010 to March 31, 2011)	Previous consolidated fiscal year (From April 1, 2009 to March 31, 2010)	Current consolidated fiscal year (From April 1, 2010 to March 31, 2011)
Income before minority interests	¥4,281	—	\$51,491
Other comprehensive income ※1	(4,286)	—	(51,555)
Net unrealized gains on available-for-sale securities	(4,286)	—	(51,555)
Deferred hedge gains	0	—	1
Total comprehensive income ※2	(5)	—	(64)
Total comprehensive income attributable to shareholders of the parent	(232)	—	(2,797)
Total comprehensive income attributable to minority interests	227	—	2,734

③【Consolidated Statements of Changes in Net Assets】

	Millions of Yen		Thousands of U.S. Dollars
	Current consolidated fiscal year (From April 1, 2010 to March 31, 2011)	Previous consolidated fiscal year (From April 1, 2009 to March 31, 2010)	Current consolidated fiscal year (From April 1, 2010 to March 31, 2011)
Shareholders' equity			
Common stock			
Balance at end of previous year	¥15,400	¥15,400	\$185,207
Changes during year:			
Total changes during year	—	—	—
Balance at end of current year	¥15,400	¥15,400	\$185,207
Capital surplus			
Balance at end of previous year	¥8,307	¥8,307	\$99,906
Changes during year:			
Cancellation of treasury stock	(2,116)	—	(25,457)
Disposal of treasury stock	(0)	0	(1)
Transfer from retained earnings	2,097	—	25,220
Total changes during year	(19)	0	(238)
Balance at end of current year	¥8,287	¥8,307	\$99,668
Retained earnings			
Balance at end of previous year	¥122,029	¥119,660	\$1,467,587
Changes during year:			
Cash dividends	(1,100)	(1,105)	(13,232)
Transfer from retained earnings to capital surplus	(2,097)	—	(25,220)
Net income	4,056	3,475	48,789
Total changes during year	859	2,369	10,337
Balance at end of current year	¥122,889	¥122,029	\$1,477,923
Treasury stock			
Balance at end of previous year	¥(2,507)	¥(2,497)	\$ (30,161)
Changes during year:			
Purchases of treasury stock	(1,447)	(12)	(17,403)
Cancellation of treasury stock	2,116	—	25,457
Disposal of treasury stock	1	1	22
Total changes during year	671	(10)	8,076
Balance at end of current year	¥(1,836)	¥(2,507)	\$ (22,085)

	Millions of Yen		Thousands of U.S. Dollars
	Current consolidated fiscal year (From April 1, 2010 to March 31, 2011)	Previous consolidated fiscal year (From April 1, 2009 to March 31, 2010)	Current consolidated fiscal year (From April 1, 2010 to March 31, 2011)
Total shareholders' equity			
Balance at end of previous year	¥143,229	¥140,870	\$1,722,539
Changes during year:			
Cash dividends	(1,100)	(1,105)	(13,232)
Net income	4,056	3,475	48,789
Purchases of treasury stock	(1,447)	(12)	(17,403)
Disposal of treasury stock	1	1	21
Total changes during year	1,511	2,359	18,175
Balance at end of current year	¥144,740	¥143,229	\$1,740,713
Unrealized gains on available-for-sale securities			
Balance at end of previous year	¥18,088	¥5,402	\$217,537
Changes during year:			
Net changes in items other than shareholders' equity	(4,289)	12,685	(51,587)
Total changes during year	(4,289)	12,685	(51,587)
Balance at end of current year	¥13,798	¥18,088	\$165,951
Deferred losses on derivatives under hedge accounting			
Balance at end of previous year	¥(0)	¥(0)	\$ (1)
Changes during year:			
Net changes in items other than shareholders' equity	0	0	1
Total changes during year	0	0	1
Balance at end of current year	¥(0)	¥(0)	\$ (0)
Accumulated other comprehensive income			
Balance at end of previous year	¥18,088	¥5,402	\$217,536
Changes during year:			
Net changes in items other than shareholders' equity	(4,289)	12,685	(51,586)
Total changes during year	(4,289)	12,685	(51,586)
Balance at end of current year	¥13,798	¥18,088	\$165,950

	Millions of Yen		Thousands of U.S. Dollars
	Current consolidated fiscal year (From April 1, 2010 to March 31, 2011)	Previous consolidated fiscal year (From April 1, 2009 to March 31, 2010)	Current consolidated fiscal year (From April 1, 2010 to March 31, 2011)
Minority interests			
Balance at end of previous year	659	450	7,929
Changes during year:			
Net changes in items other than shareholders' equity	225	209	2,716
Total changes during year	225	209	2,716
Balance at end of current year	¥885	¥659	\$10,646
Total net assets			
Balance at end of previous year	¥161,976	¥146,722	\$1,948,004
Changes during year:			
Cash dividends	(1,100)	(1,105)	(13,232)
Net income	4,056	3,475	48,789
Purchases of treasury stock	(1,447)	(12)	(17,403)
Disposals of treasury stock	1	1	21
Net changes in items other than shareholders' equity	(4,063)	12,894	(48,870)
Total changes during year	(2,552)	15,253	(30,695)
Balance at end of current year	¥159,424	¥161,976	\$1,917,309

④【Consolidated Statements of Cash Flows】

	Millions of Yen		Thousands of U.S. Dollars
	Current consolidated fiscal year (From April 1, 2010 to March 31, 2011)	Previous consolidated fiscal year (From April 1, 2009 to March 31, 2010)	Current consolidated fiscal year (From April 1, 2010 to March 31, 2011)
Operating activities:			
Income before income taxes and minority interests	¥7,437	¥6,885	\$89,452
Adjustment for:			
Depreciation and amortization	2,343	2,186	28,179
Losses on impairment of long-lived assets	307	27	3,694
Increase (decrease) in allowance for possible loan losses	(11,501)	3,462	(138,318)
Increase in accrued bonuses to directors and corporate auditors	7	1	94
Increase in liability for employees' retirement benefits	311	14	3,744
Increase (decrease) in reserve for directors' and corporate auditors' retirement benefits	77	(154)	931
Increase (decrease) in reserve for reimbursement of deposits	106	(129)	1,279
Increase (decrease) in reserve for contingent losses	(53)	79	(642)
Interest income recognized on consolidated statements of income	(38,674)	(40,565)	(465,114)
Interest expenses recognized on consolidated statements of income	2,281	3,935	27,440
Losses (gains) on investment securities	2,156	(1,194)	25,932
Foreign exchange losses – net	46	667	557
Losses on disposal of premises and equipment	230	114	2,770
Net increase (decrease) in loans	(24,281)	39,931	(292,015)
Net increase in deposits	34,907	13,919	419,818
Net increase in negotiable certificates of deposit	4,553	40,201	54,757
Net increase (decrease) in borrowed money	(21,337)	46,627	(256,618)
Net decrease in due from banks (excluding cash equivalents)	51	40	614
Net decrease (increase) in call loans	39,444	(51,794)	474,380
Net increase (decrease) in call money	922	(11,591)	11,100
Net decrease (increase) in foreign assets (assets)	(311)	(98)	(3,745)
Net increase (decrease) in foreign assets (liabilities)	(8)	(5)	(99)
Interest income (cash basis)	40,359	41,567	485,384
Interest expenses (cash basis)	(2,887)	(4,303)	(34,725)
Other – net	10,848	911	130,470

	Millions of Yen		Thousands of U.S. Dollars
	Current consolidated fiscal year (From April 1, 2010 to March 31, 2011)	Previous consolidated fiscal year (From April 1, 2009 to March 31, 2010)	Current consolidated fiscal year (From April 1, 2010 to March 31, 2011)
Total adjustments	47,338	90,738	569,316
Income taxes refunded (paid)	(2,716)	1,298	(32,674)
Net cash provided by operating activities	44,621	92,036	536,642
Investing activities:			
Purchases of investment securities	(248,539)	(291,404)	(2,989,055)
Proceeds from sales of investment securities	95,159	58,144	1,144,432
Proceeds from redemption of investment securities	96,400	102,555	1,159,362
Purchases of premises and equipment	(1,422)	(1,662)	(17,103)
Proceeds from sales of premises and equipment	—	12	—
Purchases of intangible fixed assets	(2,892)	(3,341)	(34,782)
Proceeds from sales of intangible fixed assts	—	0	—
Net cash used in investing activities	(61,293)	(135,694)	(737,146)
Financing activities:			
Dividends paid	(1,100)	(1,105)	(13,232)
Payment of dividends to minority interests	(1)	(1)	(17)
Repurchases of treasury stock	(652)	(12)	(7,845)
Proceeds from sales of treasury stock	1	1	21
Payment of setting of money trust by acquisition purpose of treasury stock	(800)	—	(9,621)
Proceeds from setting of money trust by acquisition purpose of treasury stock	0	—	3
Net cash used in financing activities	(2,551)	(1,117)	(30,691)
Foreign currency transaction adjustments on cash and cash equivalents	3	7	38
Net decrease in cash and cash equivalents	(19,220)	(44,767)	(231,157)
Cash and cash equivalents, beginning of year	84,251	129,018	1,013,242
Cash and cash equivalents, end of year ※1	65,030	84,251	782,084

【Important items used as basis for preparing consolidated financial statements】

1 Items relating to scope of consolidation

(1) Consolidated subsidiaries 4 companies

The names of consolidated subsidiaries are omitted because they are listed in “1 – 4 Items relating to consolidated subsidiaries of the Bank.”

Yamanashi Chugin Business Service Co., Ltd., a consolidated subsidiary, was liquidated by March 31, 2010.

(2) Non-consolidated subsidiary 1 company

Yamanashi Venture Promotion Investment Limited Partnership

The non-consolidated subsidiary has excluded from the consolidation scope. Because property, ordinary income, net income or loss (amount that corresponds to share) and earned surplus (amount that corresponds to share) of non-consolidated subsidiary are lack importance.

2 Items relating to application of equity method

(1) Non-consolidated subsidiaries that are applied to equity method

Not applicable

(2) Affiliates that are applied to equity method

Not applicable

(3) Non-consolidated subsidiary that is not applied to equity method 1

Yamanashi Venture Promotion Investment Limited Partnership

Non-consolidated subsidiary that is not applied to equity method has excluded from the consolidation scope. Because net income or loss and earned surplus (amount that corresponds to share) of non-consolidated subsidiary that is not applied to equity method are lack importance.

(4) Affiliates that are not applied to equity method

Not applicable

3 Items relating to business years of consolidated subsidiaries

All of the consolidated subsidiaries have their settlement day on March 31.

4 Items relating to accounting standards

(1) Valuation standards and methods for trading account securities

Trading securities, which are held for the purpose of earning capital gains, are reported at fair value and the related unrealized gains and losses are included in earnings.

(2) Valuation standards and methods for securities

Held-to-maturity debt securities, which management has the positive intent and ability to hold to maturity are reported at amortized cost, and available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Available-for-sale securities whose fair values are extremely difficult to be determined are stated at cost determined by the moving-average method. The cost of securities sold is determined based on the moving-average method.

(3) Valuation standards and methods for derivative transactions

Derivative transactions are measured at fair value.

(4) Methods of depreciation

① Tangible fixed assets (excluding leased assets)

Depreciation of tangible fixed assets is calculated principally using the declining-balance method. Useful lives of tangible fixed assets are primarily as follows:

Buildings	3 to 50 years
Other	2 to 20 years

② Intangible fixed assets (excluding leased assets)

Amortization of intangible fixed assets is calculated principally using the straight-line method. Software for internal use by the Bank and its subsidiaries is calculated over the useful life of the software (principally five years).

③ Leased assets

Leased assets employed in leasing transactions that do not transfer ownership of the leased assets to the lessee – both premises and equipment and intangible fixed assets – are depreciated by the straight-line method over the lease period. Residual value of those leased assets is zero unless any guaranteed amount is prescribed in the lease agreement.

(5) Allowance for possible loan losses

The allowance for possible loan losses is stated in amounts considered to be appropriate based on management's judgment and an assessment of future losses estimated through the Bank's self assessment of the quality of all loans.

The Bank has a credit rating system and a self assessment system. These systems are used to assess the Bank's asset quality based on past experience of credit losses, possible credit losses, analysis of customers' conditions, such as business conditions, character and quality and the overall performance of the portfolio. All loans are subject to asset quality assessment conducted by the business-related divisions in accordance with the Self-Assessment Standards, and the results of the assessments are reviewed by the Auditing Division, which is independent from the business-related divisions, before the allowance amount is finally determined. All loans are classified into one of five categories for self assessment purposes, "normal," "caution," "possible bankruptcy," "virtual bankruptcy" or "legal bankruptcy."

The allowance for possible loan losses is calculated based on the actual past loss ratio for "normal" and "caution" categories, and the fair value of the collateral for collateral-dependent loans and other factors, including the value of future cash flows for other self assessment categories.

The policy for the allowance for possible loan losses of consolidated subsidiaries is similar to the Bank's.

(6) Accrued bonuses to directors and corporate auditors

Accrued bonuses to directors and corporate auditors are provided in the amount of the estimated bonuses which are attributable to each fiscal year.

(7) Retirement and pension plans

The Group has a non-contributory defined benefit pension plan and a lump-sum severance indemnity plan. Employees whose services with the Group are terminated are, under most circumstances, entitled to retirement and pension benefits determined by reference to basic rates of pay at the time of termination, length of service, and conditions under which the termination occurs.

The Group accounted for the liability for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date.

(8) Reserve for directors' and corporate auditors' retirement benefits

A reserve for directors' and corporate auditors' retirement benefits is provided at the amount which would be required if all directors and corporate auditors retired at the balance sheet date.

(9) Reserve for reimbursement of deposits

Provision is made for possible losses on future claims of withdrawal of deposits which were derecognized as liabilities under certain conditions in an amount deemed necessary based on historical reimbursement experience.

(10) Reserve for contingent losses

Reserve for contingent losses, which is provided for possible losses from contingent events, is calculated by estimation of the impact of those contingent events.

(11) Foreign currency items

Foreign currency assets and liabilities are translated into yen at the exchange rates prevailing at the balance sheet date.

(12) Lease transactions

(Lessor)

The Bank applied the revised accounting standard effective April 1, 2008.

Revenues and cost of revenues of finance lease transactions are recognized when lease payments are made.

(13) Hedging activities

The Bank applies the deferred method of accounting to hedges of foreign exchange risks arising from foreign currency denominated monetary assets and liabilities in accordance with the Japanese Institute of Certified Public Accountants ("JICPA") Industry Audit Committee Report No. 25, "Treatment of Accounting and Auditing concerning Accounting for Foreign Currency Transaction in the Banking Industry."

In applying the deferred hedge accounting method, the Bank confirms the foreign currency position of the hedged monetary assets or liabilities is more than or equal to the hedging instruments over the residual terms of the hedging instruments.

(14) Cash and cash equivalents

For the purpose of reporting cash flows, cash and cash equivalents are defined as cash and due from the Bank of Japan.

(15) Consumption taxes

The accounting treatment of the consumption tax and local consumption tax descends by excluding tax method. However, deducting off the subject to the consumption tax to tangible fixed assets are summed up to the cost in this fiscal year.

(16) U.S. dollar amounts

The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥83.15 to \$1, the exchange rate prevailing on March 31, 2011.

[Changes in accounting standard]

(Accounting Standard for Asset Retirement Obligations)

The Bank and its consolidated subsidiaries have adopted the “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No. 18, published on March 31, 2008) and “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21, published on March 31, 2008) at the end of the fiscal year ended March 31, 2011.

As a results of this change, ordinary profit and income before income taxes are decreased by ¥5 million and ¥116 million, respectively.

[Change in presentation method]

(Relating to consolidated statements of income)

Due to the application of the Cabinet Office Ordinance that partially amends Rules Concerning Terminology, Forms, and Preparation Methods of Financial Statements, etc. (Cabinet Office Ordinance No. 5 of March 24, 2009) based on Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, issued on December 26, 2010), “Income before minority interests” is being presented from the fiscal year ended March 31, 2011.

[Additional information]

The Bank adopted the “Accounting Standards for Presentation of Comprehensive Income” (ASBJ Statement No. 25, published on June 30, 2010). However, the amounts of “Accumulated other comprehensive income” and “Total accumulated other comprehensive income” for the fiscal year ended March 31, 2010 are recorded in the amounts of “Valuation and translation adjustments” and “Total valuation and translation adjustments.”

**[Notes to consolidated financial statements]
(Relating to Consolidated Balance Sheets)**

- *1 Securities including in contribution to non-consolidated subsidiary, ¥115 million
- *2 Of loans and bills discounted, the amount of loans to customers in bankruptcy were ¥4,570 million, past due loans were ¥48,434 million, respectively.
Loans to customers in bankruptcy represent nonaccrual loans to debtors who are legally bankrupt, as defined in Article 96, Paragraph 1, Subparagraphs 3 and 4 of Enforcement Ordinance for the Corporation Tax Law. Past due loans are defined as nonaccrual loans except for loans to customers in bankruptcy and loans of which the interest payments are deferred in order to assist in the financial recovery of a debtor in financial difficulties.
- *3 Of loans and bills discounted, there are no accruing loans contractually past due three months or more.
Accruing loans contractually past due three months or more are loans on which the principal or interest is three months or more past due. Restructured loans are loans for which the Bank has relaxed lending conditions, such as: reduction of the original interest rate, deferral of interest payment, extension of maturity date, or reduction of the amount of the debt or accrued interest.
- *4 Of loans and bills discounted, the amount of restructured loans were ¥2,379 million.
Restructured loans are loans for which the Bank has relaxed lending conditions, such as: reduction of the original interest rate, deferral of interest payment, extension of maturity date, or reduction of the amount of the debt or accrued interest.
- *5 Total amount of loans to customers in bankruptcy, past due loans, accruing loans contractually past due three months or more and restructured loans was ¥55,383 million.
- *6 Bills discounted are accounted for as financial transactions in accordance with JICPA Industry Audit Committee Report No. 24, "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry." The Bank has rights to sell or pledge commercial bills discounted and foreign exchanges bought without restrictions and their face amounts were ¥7,546 million at March 31, 2011.
- *7 Loan participation that processes accounting as a loan to originator, and the amount of the consolidated balance sheet summing up is ¥1,480 million among amounts of money of the participation principal.
- *8 Assets pledged as collateral were as follows:
- | | |
|---------------------------------------|------------------|
| Assets pledged as collateral | |
| Investment securities | ¥163,879 million |
| Liabilities related to pledged assets | |
| Deposits | ¥10,223 million |
| Borrowed money | ¥25,400 million |
- Investment securities totaling ¥66,757 million were pledged as collateral for settlement of exchange and derivative transactions or as margin on forward contracts.
- *9 Lease contract assets (total sum of lease investment assets included in Other assets and interest receivables on lease investment assets) for remaining lease periods, which were pledged as collateral for borrowed money of ¥616 million, were ¥1,041 million.
- *10 Commitment line contracts on overdrafts and loans are agreements to lend to customers when they apply for borrowing, up to a prescribed amount, as long as there is no violation of any condition established in the contract. The amount of unused commitments as of March 31, 2011 was ¥377,625 million which includes commitments of ¥362,305 million whose original contract terms were within one year or unconditionally cancelable at any time.
Since many of these commitments are expected to expire without being drawn upon, the total amount of unused commitments does not necessarily represent actual future cash flow requirements. Many of these commitments have clauses that allow the Bank to withdraw the commitment line offer or reduce the contract amounts in situations where economic conditions are changed, the Bank needs to secure claims, or other conditions are triggered.
In addition, the Bank requires the customers to pledge collateral such as premises and securities and takes necessary measures such as seizing the customers' financial positions, revising contracts when the need arises and securing claims after conclusion of the contracts.
- *11 Accumulated depreciation ¥ 33,104 million
- *12 Premises and equipment were stated at cost less deferred gains ¥ 1,062 million
- *13 A corporate bonds within "Securities" contained amount ¥2,556 million of guarantee liabilities to bonds offered through private placement.

(Relating to Consolidated Statements of Income)

*1 "Other ordinary income" includes "gains on sales stocks" of ¥634 million.

*2 "Other ordinary expenses" includes "write-off stocks" of ¥3,265 million.

(Relating to Consolidated Statements of Changes in Equity)

1 Items to kind and total number of shares outstanding and treasury stocks

(Thousands of shares)					
	Number of shares at end of previous fiscal year	Number of shares increased during current fiscal year	Number of shares decreased during current fiscal year	Number of shares at end of current fiscal year	Remarks
Shares outstanding					
Common stock	189,915	—	5,000	184,915	Note 2
Treasury stock					
Common stock	5,638	3,733	5,004	4,367	Notes 1, 2

Notes 1 Breakdown of the number of increase stocks during fiscal year are as follows.

Treasury stock

Increased by acquisition of treasury stocks 3,699 thousand

Increased by purchase claims less than unit 34 thousand

2 Breakdown of the number of decrease stocks during fiscal year are as follows.

(1) Shares outstanding

Decrease by repayment of treasury stocks 5,000 thousand

(2) Treasury stock

Decrease by repayment of treasury stocks 5,000 thousand

Decrease by repurchase claim less than unit 4 thousand

2 Items relating to dividends

(1) Dividend paid during current fiscal year

(Resolution)	Type of stock	Total dividend (Millions of yen)	Dividends per share (Yen)	Reference date	Effective date
Annual general meeting of shareholders on June 29, 2010	Common stock	¥552	¥3.0	March 31, 2010	June 30, 2010
Board of directors' meeting on November 12, 2010	Common stock	547	3.0	September 30, 2010	December 6, 2010

(2) Dividends whose reference date falls in the current fiscal year, but where the effective date of dividend occurs after the end of current fiscal year.

(Resolution)	Type of stock	Total dividend (Millions of yen)	Fund for dividend	Dividends per share (Yen)	Reference date	Effective date
Annual general meeting of shareholders on June 29, 2011	Common stock	¥541	Retained earnings	¥3.0	March 31, 2011	June 30, 2011

(Relating to Consolidated Statements of Cash Flows)

*1 The reconciliation of the cash and due from banks in the consolidated balance sheets and the cash and cash equivalents at March 31, 2011, is as follows:

As of March 31, 2011

Cash and due from banks	¥65,200 million
<u>Due from banks, excluding due from Bank of Japan</u>	<u>(170) million</u>
Cash and cash equivalents	¥65,030 million

(Relating to Lease Transactions)

Finance leases

(Lessee)

Finance leases that are not deemed to transfer ownership of the leased property to the lessee

1 Details of lease assets

(1) Tangible fixed assets

Principally office equipment

(2) Intangible fixed assets

Software

2 Method of depreciation of lease assets

Leased assets are depreciation in accordance with the stipulations as described in “Important items used as basis for preparing consolidated financial statements, 4 Items relating to accounting standards (4) Methods of depreciation.”

(Lessor)

1. Details of net investment in leases for the year ended March 31, 2011 are as follows:

	(Millions of yen)
Gross lease receivables	¥8,825
Estimated residual value	—
<u>Unearned interest income</u>	<u>(910)</u>
Net investment in leases	¥7,915

2. Expected amounts from the collection of gross lease receivables for the year ended March 31, 2011 are as follows:

	(Millions of yen)
1 year or less	¥3,165
1 to 2 years	2,395
2 to 3 years	1,601
3 to 4 years	974
4 to 5 years	459
<u>Over 5 years</u>	<u>229</u>
Total	¥8,825

(Financial Instruments and Related Disclosure)

1. Qualitative Information of Financial Instruments

(1) Policy for financial instruments

The Group is involved in financial services including the leasing and the credit card business, etc. around the banking business. Within banking, we are involved in the business of taking deposits, making loans and securities trading, as well as the over-the-counter sale of public bonds such as Japanese government bonds, investment trusts and insurance. In addition, for the purpose of short-term fund raising, we enter into call loans and call money in the interbank market. In hedging foreign

exchange risk and finance and using different currencies, we enter into forward exchange contracts including fund swap transactions. However, we do not conduct transactions whose structures are complicated and speculative transactions. Because we hold financial assets and liabilities with interest rate risk, we conduct Asset Liability Management (ALM) to limit the disadvantageous influence from fluctuations in interest.

(2) Nature and extent of risks arising from financial instruments

The financial assets that the Group holds are loans for domestic customers and domestic securities. Loans have credit risk, brought about by the borrower's nonperformance of contractual obligations. The contents of securities are mainly bonds, stocks and investment trusts. The Group holds these securities for the purpose of holding to maturity, investment available for sale and policy investment (business promotion). Securities have issuer's credit risk, interest rate risk and market price risk.

The Group regards the deposits from customers as its main supply of financial funds. The Group secures stable financing by maintaining the soundness of financial affairs, but has liquidity risk that it may not be possible to obtain necessary funds due to the outflow of unexpected funds.

Derivative transactions are mainly fund swap transactions that are combinations of spot and forward exchange contracts. Those transactions apply hedge accounting based on JICPA Industry Audit Committee Report No. 25, "Treatment of Accounting and Auditing concerning Accounting for Foreign Currency Transactions in the Banking Industry." A part of derivative transactions that do not meet the criteria for hedge accounting have foreign exchange risk.

(3) Risk management systems for financial instruments

① **Credit risk management**

The Group performs maintenance of the credit screening system, fosters talented human resources and positively advances credit risk management. The credit screening system keeps the credit screening section independent and performs strict screening in advance, performs interim screening and assesses credit enhancements and credit risk management after lending. Regarding administration, the marketing section and credit screening section or the headquarters and business offices perform mutual check functions. The Group tries for the observance of the financing rule and appropriate use and thereby acts in enhancement of system support such as the practical use of the financing support system. Furthermore, for coping with risk fluctuating continually, the Group monitors the actual condition of customers through credit rating and self assessment to be performed regularly or at any time. The Group introduced "Credit risk information integration service" that is a joint undertaking of the banks that joined the Regional Bank Association to attempt the upgrade of the credit risk management and are aiming at refining measurement of value at risk (VaR).

We monitor credit information, current-prices and VaR and manage the credit risk of issuers of securities and counterparty risk of derivative transactions in the risk management section.

The situation of these risk management activities is reported to management regularly in the ALM Committee and the board of directors.

② **Market risk management**

(A) **Interest-rate risk management**

The Group supports the needs of customers properly and, for the earning capacity improvement of the bank, conducts interest rate risk management as a basic policy. We devised "the basic policy for the interest rate risk hedge" as a general rule every half term to control interest rate risk properly in the ALM Committee in which management is involved as the main members and involved in examining interest rate changes and reviews it regularly. In addition, in the ALM committee meeting held monthly, the Group examines an interest rate predictive report that the interest rate prediction committee

produces and monitors the change in the interest rate risk amount of the whole bank account closely. In the risk management section, the Group calculates VaR and basis point value (BPV) and manages the interest rate risk amount of the banking account. In addition, the Group performs stress tests based on a stress scenario extending to each risk category and by Monte Carlo simulation of interest rate changes. These results are reported to management regularly in the ALM Committee and the board of directors.

(B) Foreign exchange risk management

The Group manages foreign exchange risk by monitoring exposure to foreign exchange and VaR in the risk management section. Moreover, it reports regularly to management in the ALM committee and board of directors, etc. The majority of foreign exchange risk is hedged by forward exchange contracts.

(C) Market price risk management

Regarding investment in financial instruments including securities, the Group conducts risk management in conformity with a basic administration policy. The basic administration policy is as follows. The Group executes the market business while attempting to secure fairness and prompt correspondence. The Group takes the opportunity for earnings by actively taking risks that can be measured and managed. The proof of maximizing management vitality, like earnings and equity capital, are assumed to be a precondition. The operative plans are decided by the board of managing directors after discussion with the ALM Committee.

In making the plans, the Group examines the expected rate of return based on the prospect of interest rate and stock prices, market price risk and return in consideration of the correlation between the financial instruments invested in. The Group measures market price risks such as stock price risk using the VaR method. The ALM Committee monitors VaR based on risk limits and the results of stress tests and tries for coexistence of securing of financial soundness and earning profit.

(D) Derivative transactions

For derivative transactions, the maintenance of strong management is aimed at so as not to exert a negative influence on profit and loss, and the Group tries to set position limits and operate loss-cut rules strictly based on the risk management standard. Moreover, the Group reports regularly to management in the ALM committee and the board of directors, etc.

③ Liquidity risk management

The Group manages liquidity risk by analyzing interest rate trends and mismatches of terms between investing and financing funds. Financing risk is limited by holding assets with high liquidity as payment reserves for unexpected capital outflows, and a smooth financing resource is secured. Moreover, the Group reports regularly to management in the risk management committee and the board of directors, etc.

(4) Supplementary explanation of the fair value financial instruments

The fair value of financial instruments includes, in addition to the value based on the market price, the value reasonably calculated if no market prices are available. Certain assumptions are used in the calculation of such amounts. Accordingly, the results of such calculations may vary if different assumptions are used.

2. Fair Values of Financial Instruments

Fair value and carrying amounts of financial instruments are shown below. Some instruments, such as unlisted stocks, whose fair values are extremely difficult to determine, are not included in the table below (see Note 2).

(Millions of yen)

	Carrying amount	Fair value	Difference
(1) Cash and due from banks	¥65,200	¥65,200	¥—
(2) Trading securities			
Trading securities	40	40	—
(3) Securities			
Held-to-maturity	2,554	2,560	6
Available-for-sale securities	1,088,808	1,088,808	—
(4) Loans and bills discounted	1,516,665		
Accrued income (Interest on loans)	1,023		
Deferred income (Interest on loans and guarantee charge) (*1)	(1,711)		
Reserve for possible loan losses (*2)	(24,807)		
	1,491,169	1,507,357	16,187
Total	¥2,647,773	¥2,663,967	¥16,194
(1) Deposits	¥2,348,666		
Accrued expenses (Interest on deposits)	1,445		
	2,350,111	2,350,749	637
(2) Negotiable certificates of deposits	157,211		
Accrued expenses (Interest on NCDs)	101		
	157,313	157,351	37
Total	¥2,507,425	¥2,508,100	¥674
Derivatives (*3)			
Hedge accounting is applied	¥(22)	¥(22)	¥—
Hedge accounting is not applied	(1)	(1)	—
Total	¥(23)	¥(23)	¥—

*1. Represents deferred interest received on loans and deferred guarantee fees received of a consolidated subsidiary performing guarantees on the Bank's loans to customers.

*2. General reserve for possible loan losses and specific reserve for possible loan losses provided to "Loans and bills discounted" are separately presented in the above table.

*3. Derivative transactions recorded in "Other assets" and "Other liabilities" are aggregated and shown herein. Assets and liabilities attributable to the derivative transactions are totally offset and the net liability position as a consequence of offsetting would be represented with brackets.

(Note 1) Method Used for Determining the Fair Value of Financial Instruments

Assets

(1) Cash and due from banks

Since the fair values of due from banks without maturities approximate their carrying values, the fair values are deemed to be equal to the carrying values.

(2) Trading securities

The fair values of securities such as bonds held for trading are determined by reference to quoted market prices on stock exchanges or prices offered by correspondent financial institutions.

(3) Securities

The fair values of shares are determined by reference to quoted market prices on stock exchanges. The fair values of bonds are determined by reference to quoted market prices or prices offered by correspondent financial institutions. Investment trusts are determined by reference to their publicly available unit prices. The fair values of bonds, such as unlisted corporate bonds, whose quoted market prices or prices offered by correspondent financial institutions are not available, are their present values that are estimated for each classification based on the issuers' internal rating and terms and by discounting the future cash flows of the principal and interest using the market interest rates plus credit cost rates in accordance with internal ratings and expense rates.

(4) Loans and bills discounted

As floating-rate loans and bills discounted reflect market interest rates over short periods, unless the credit standing of the borrower is significantly different after the loan was made or the bill was drawn, the fair value approximates the carrying value. The fair value is therefore deemed equal to the carrying value.

The fair values of fixed-rate loans and bills discounted are their present values that are estimated for each classification based on their type, internal rating, status of collateral and guarantee, and terms, and by discounting the future cash flows of the principal and interest using the rates at which similar new loans would be made or market interest rates plus credit cost rates in accordance with internal ratings and expense rates. The fair values of fixed-rate loans and bills discounted whose terms are short (within one year) approximating their carrying values and are therefore deemed equal to the carrying values.

Losses from loans to borrowers in legal bankruptcy, in virtual bankruptcy and in possible bankruptcy are computed based on estimated recoverable amounts. Then the fair values of those loans approximate the consolidated balance sheet amounts at the closing date minus the currently estimated losses and are therefore deemed equal to the amounts.

The fair values of loans and bills discounted for which repayment terms are not set because of their attributes (e.g. loans are limited to the amounts of pledged assets) are assumed to approximate their carrying values, considering the expected repayment periods and interest rate conditions, and are deemed equal to the carrying values.

Liabilities

(1) Deposits and (2) Negotiable certificates of deposits

The fair values of demand deposits are deemed equal to the amounts that would be paid (carrying values) if the payments were demanded at the balance sheet date. The fair values of time deposits and negotiable certificates of deposit, which are classified in accordance with their periods, are their present values that are estimated by discounting the future cash flows using the rates that would be offered for new deposits to be received.

The fair values of deposits and negotiable certificates of deposit with short deposit terms (within one year) or with variable interest rates approximate their carrying values and are deemed equal to their carrying values.

Derivatives

The derivative transactions are related to the currency transactions (forward exchange contract). The fair values are determined based on quotations by the level such as the markets between the inter-bank and the dealers.

(Note 2) Financial instruments whose fair values are extremely difficult to be determined. The following instruments are not included in 'Assets (4) Securities' in the above table showing the fair values of financial instruments as of March 31, 2011.

(Millions of yen)

	Carrying amount
Unlisted equity securities (*1) (*2)	¥374
Contributions to unions (*1) (*3)	115
Total	¥489

*1. They are excluded from disclosure because they do not have a market price and their fair values are extremely difficult to determine.

*2. The impairment losses on unlisted stocks for the year ended March 31, 2011 were ¥16 million.

*3. It is an investment in non-consolidated subsidiaries.

(Note 3) Maturity analysis for monetary claims and securities with contractual maturities

(Millions of yen)

	1 year or less	Over 1 year less 3 years	Over 3 years less 5 years	Over 5 years less 7 years	Over 7 years less 10 years	Over 10 years
Due from banks	¥37,621	¥—	¥—	¥—	¥—	¥—
Securities	84,700	221,901	313,604	225,966	146,469	—
Held-to-maturity	799	1,347	350	60	—	—
Corporate bonds	799	1,347	350	60	—	—
Available-for-sale securities that have maturities	83,901	220,553	313,254	225,906	146,469	—
Japanese government bonds	39,055	125,896	150,284	130,700	105,400	—
Municipal bond	21,730	37,830	41,654	39,346	29,216	—
Corporate bonds	22,699	56,493	120,068	55,860	11,853	—
Others	415	332	1,247	—	—	—
Loans and bills discounted (*)	345,156	308,564	233,532	106,359	142,644	208,993
Total	¥467,478	¥530,465	¥547,136	¥332,325	¥289,113	¥208,993

* Of loans and bills discounted, the portion whose timing of collection is unforeseeable, such as loans to borrowers in legal bankruptcy, in virtual bankruptcy and in possible bankruptcy, amounting to ¥53,004 million, is not included in the above table. Loans that do not have contractual maturities, amounting to ¥118,167 million are not included either.

(Note 4) Maturity analysis for interest-bearing debt

(Millions of yen)

	1 year or less	Over 1 year less 3 years	Over 3 years less 5 years	Over 5 years less 7 years	Over 7 years less 10 years	Over 10 years
Deposits (*)	¥2,072,591	¥180,454	¥26,541	¥—	¥—	¥—
Negotiable certificates of deposits	153,757	3,454	—	—	—	—
Total	¥2,226,348	¥183,909	¥26,541	¥—	¥—	¥—

* Non-interest-bearing deposits such as checking accounts are excluded. Demand deposits are included in "1 year or less."

(Relating to securities)**1. Trading securities**

(Millions of yen)

	Unrealized gains/losses recognized as income
Trading securities	¥(0)

2. Held-to-maturity debt securities

(Millions of yen)

		Carrying amount	Fair value	Differences
Fair value exceeded carrying amount:	Corporate bonds	¥1,460	¥1,479	¥18
Fair value not exceeded carrying amount:	Corporate bonds	1,093	1,081	(12)
Total		¥2,554	¥2,560	¥6

3. Available-for-sale securities

(Millions of yen)

		Fair value	Cost	Valuation differences
Fair value exceeded cost:	Japanese stocks	¥29,669	¥20,970	¥8,699
	Bonds total	903,187	884,647	18,539
	Japanese Government bonds	470,910	464,052	6,858
	Japanese municipal bonds	162,598	157,422	5,175
	Japanese corporate bonds	269,678	263,173	6,505
	Other securities	10,828	8,949	1,878
	Sub-total	943,685	914,567	29,117
Fair value not exceeded cost:	Japanese stocks	20,261	23,574	(3,313)
	Bonds total	111,805	112,679	(874)
	Japanese Government bonds	93,627	94,313	(686)
	Japanese municipal bonds	12,057	12,172	(114)
	Japanese corporate bonds	6,121	6,194	(73)
	Other securities	13,056	15,063	(2,007)
	Sub-total	145,122	151,318	(6,195)
Total		¥1,088,808	¥1,065,885	¥22,922

Note: Unlisted stocks that have a fair value and cost of ¥374 million, respectively, are excluded from the table above since there are no market prices and their fair values are extremely difficult to be determined.

4. Held-to-maturity debt securities sold

(Millions of yen)

	Sales costs	Sales proceeds	Gains on sales
Corporate bonds	¥500	¥507	¥7

The above securities were sold due to redemption by the issuer.

5. Available-for-sale securities sold

(Millions of yen)

	Sales costs	Gross realized gains	Gross realized losses
Japanese stocks	¥3,232	¥579	¥571
Bonds total	81,740	1,262	81
Japanese Government bonds	51,648	644	81
Japanese municipal bonds	23,286	424	—
Japanese corporate bonds	6,805	193	—
Other securities	3,117	138	224
Total	¥88,090	¥1,980	¥878

6. Securities recognized for revaluation loss

Certain securities (other than trading purposes) which have readily determinable fair values are revalued to their fair value, and the difference between the acquisition cost (and other) and the fair value is treated as a realized loss for the fiscal year ended March 31, 2011 (“revaluation loss”), if the fair value has significantly deteriorated from the acquisition cost (and other), and unless a recovery in the fair value is deemed probable.

The amount of revaluation loss for the fiscal year was ¥3,249 million.

(Relating to net unrealized gains/losses on available-for-sale securities)

Available-for-sale securities were valued at market and net unrealized gains/losses on valuation were as follows:

(Millions of yen)

	Amounts
Valuation difference	¥22,922
Deferred tax liabilities	(9,118)
Net unrealized gains (before minority interests)	13,803
Minority interests	(5)
Net unrealized gains on available-for-sale securities	¥13,798

(Relating to derivative transaction)

1 Derivative Instruments not accounted for as hedges

Regarding the derivative instruments which are not accounted for as hedge transactions, Contract Amount or Notional Amount, Fair Value and Unrealized Gain or Loss for each type of derivative transactions, respectively, at the end of the consolidated balance sheet date, and Determination of fair value are as follows. Contract Amount or Notional Amount does not show itself market risk of derivative instruments.

(1) Interest-related derivative instruments

Not applicable

(2) Currency-related derivative instruments

(Millions of yen)

		Contract Amount or Notional Amount	Over 1 Year	Fair Value	Unrealized Gain/Loss
OTC	Forward Rate Agreements				
	Sold	¥750	—	¥(10)	¥(10)
	Buy	825	—	(11)	(11)
	Total	—	—	¥(22)	¥(22)

(Notes) 1 Derivative instruments are revalued to fair value. Changes in fair value are included in the consolidated statement of operations.

2 Determination of fair value:

Fair value is determined based on the discounted net present value model.

(3) Stock-related derivative instruments

Not applicable

(4) Bond-related derivative instruments

Not applicable

(5) Commodity-related derivative instruments

Not applicable

(6) Credit derivative transactions

Not applicable

2 Derivative Instruments accounted for as hedges

Regarding the derivative instruments which are accounted for as hedge transactions, Contract Amount or Notional Amount, and Fair Value for each type of derivative transactions, respectively, at the end of the consolidated balance sheet date, and determination of fair value are as follows. Contract Amount or Notional Amount does not show itself market risk of derivative instruments.

(1) Interest-related derivative instruments

Not applicable

(2) Currency-related derivative instruments

(Millions of yen)

Method of Hedges	Type of Derivative Instruments	Hedged Items	Contract Amount or Notional Amount	Over 1 Year	Fair Value
The Deferral Method	Forward Rate Agreements	Foreign currency denominated loans, call loans and others	¥151	¥—	¥(1)
	Total	—	—	—	(1)

(Notes) 1 Primarily, the Bank applies the deferral method of hedge accounting which is described in “Accounting and Auditing Treatment relating to the Adoption of Accounting for Financial Instruments’ for Banks,” issued by the Japanese Institute of Certified Public Accountants (“JICPA”), (JICPA Industry Audit Committee Report No. 24).

2 Determination of fair value:

Fair value is determined based on the discounted net present value model.

(3) Stock-related derivative instruments

Not applicable

(4) Bond-related derivative instruments

Not applicable

(Relating to employees’ retirement benefits)

1. Outline of the employees’ retirement benefits

The Group has a non-contributory defined benefit pension plan and a lump-sum severance indemnity plan. Employees whose services with the Group are terminated are, under most circumstances, entitled to retirement and pension benefits determined by reference to basic rates of pay at the time of termination, length of service and conditions under which the termination occurs.

2. The liability for employees' retirement benefits consisted of the following:

(Millions of yen)

		End of Current Fiscal Year (March 31, 2011)
		Amounts
Projected benefit obligation	(A)	¥(22,503)
Fair value of plan assets	(B)	13,292
Funded status	(C)=(A)+(B)	(9,211)
Unrecognized actuarial loss	(D)	3,397
Unrecognized prior service cost	(E)	(314)
Net liability	(F)=(C)+(D)+(E)	(6,128)
Prepaid pension cost	(G)	1,338
Liability for employees' retirement benefits	(F)-(G)	¥ (7,467)

3. The components of net periodic retirement benefit costs were as follows:

(Millions of yen)

		Current consolidated fiscal year (Form April 1, 2010 to March 31, 2011)
		Amounts
Service cost	(A)	¥720
Interest cost	(B)	442
Expected return on plan assets	(C)	(196)
Amortization of actuarial loss	(D)	(71)
Amortization of prior service cost	(E)	700
Net periodic retirement benefit costs	(F)=(A)+(B)+(C)+(D)+(E)	¥1,595

4. Items to assumption used in the calculation of The liability for employees' retirement benefits

	Current consolidated fiscal year (Form April 1, 2010 to March 31, 2011)
(1) Discount rate	2.0%
(2) Expected rate of return on plan assets	2.0%
(3) Method of attributing the projected benefits to periods of services	Straight-line basis
(4) Amortization period of prior service cost	10 years
(5) Amortization period of actuarial gain/loss	10 years commencing from start of the subsequent fiscal year

(Relating to tax effect accounts)

1. The tax effects of significant temporary differences and tax loss carry-forwards which resulted in deferred tax assets and liabilities are as follows:

(Millions of yen)

	Current consolidated fiscal year (Form April 1, 2010 to March 31, 2011)
Deferred tax assets:	
Allowance for possible loan losses	8,572
Losses on investment securities	5,132
Reserve for retirement benefits	4,516
Depreciation	1,273
Other	3,494
Sub-total	22,989
Valuation allowance	(12,001)
Total deferred tax assets	10,987
Deferred tax liabilities:	
Unrealized gains on available-for-sale securities	(9,118)
Other	(1,569)
Total deferred tax liabilities	(10,687)
Net deferred tax assets	299

2. A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income is as follows:

	Current consolidated fiscal year (Form April 1, 2010 to March 31, 2011)
Normal effective statutory tax rate	40.2%
Valuation allowance	5.3%
Income not taxable for income tax purposes	(3.0)%
Expenses not deductible for income tax purposes	0.5%
Adjustment in consolidation due to the loss on devaluation of stocks of consolidated subsidiaries	(2.7)%
Other—net	2.1%
Actual effective tax rate	42.4%

【Segment information by type of business】

【Segment information】

Segment Information is not shown in these statements, since the banking business is the only reportable segment.

(Additional information)

The Bank and its consolidated subsidiaries have adopted the standard of “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No. 17, March 27, 2009) and “Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance No. 20, March 21, 2008) from the fiscal year ended March 31, 2011.

【Related information】

1 Information for service segment

(Millions of yen)

	Loans	Securities investment	Other	Total
Ordinary income from customers	¥26,498	¥14,860	¥13,154	¥54,514

(Note) Instead of the net sales of a non-financial company, ordinary income in gross is indicated.

2 Information for geographic areas

Not describe.

3 Information about major customers

Not describe.

【Information about impairment loss of fixed assets in segment】

Not describe.

【Related-Party Transactions】

1. Related-party transactions involving directors, corporate auditors and major stockholders (individuals only) of the Bank.

(Millions of yen)

Relationship	Name	Address	Paid-in capital	Position	Voting rights[%]	Details of business relationship	Transactions	Transaction amount	Accounting name	Year-end balance
Statutory auditor	Toshihito Furuya	—	—	Corporate auditor of the Bank, simultaneously serving as legal advisor	0.00	Lending Compensation for legal advisory services	Lending Interest income Legal advisory fee paid	— 5 2	Loans — —	220 — —
Director's consort	Mayumi Nagasaka	—	—	Director's consort of the Bank	—	Lending	Lending Interest income	— 0	Loans —	48 —
Director's consort	Yuko Ogiwara	—	—	Director's consort of the Bank	—	Lending	Lending Interest income	— 0	Loans —	29 —

Note: The conditions as applied to general parties with which the Bank enters into transactions are applied.

(Per Share Information)

(Yen)

	Current consolidated fiscal year (Form April 1, 2010 to March 31, 2011)
Net assets per share	¥878.10
Net income per share	22.23

(Notes) 1 Basis of calculation of net income per share is as follows:

(Millions of yen)

	Current consolidated fiscal year (Form April 1, 2010 to March 31, 2011)
Net income	¥4,056
Net income attribute to common stock	¥4,056
Average balance of common stock (thousands)	182,431

2 Because the bank doesn't have the dilutive stocks, diluted net income per share is not described.

3 Basis of calculation of net assets per share is as follows:

(Millions of yen)

	Current consolidated fiscal year end (As of March 31, 2011)
Net assets	¥159,424
Deduction from net assets	¥885
Minority interests	¥885
Net assets attribute to common stock	¥158,539
Average balance of common stock (thousands)	180,547

Corporate Data

(as of March 31, 2011)

Common Stock: ¥15,400 million

Number of Shares:
Authorized 398,000,000 shares
Issued 184,915,000 shares

Number of Stockholders: 6,703

Stock Listing: First Section of Tokyo Stock Exchange

Transfer Agent: Mitsubishi UFJ Trust & Banking Corporation

Breakdown of Stockholders



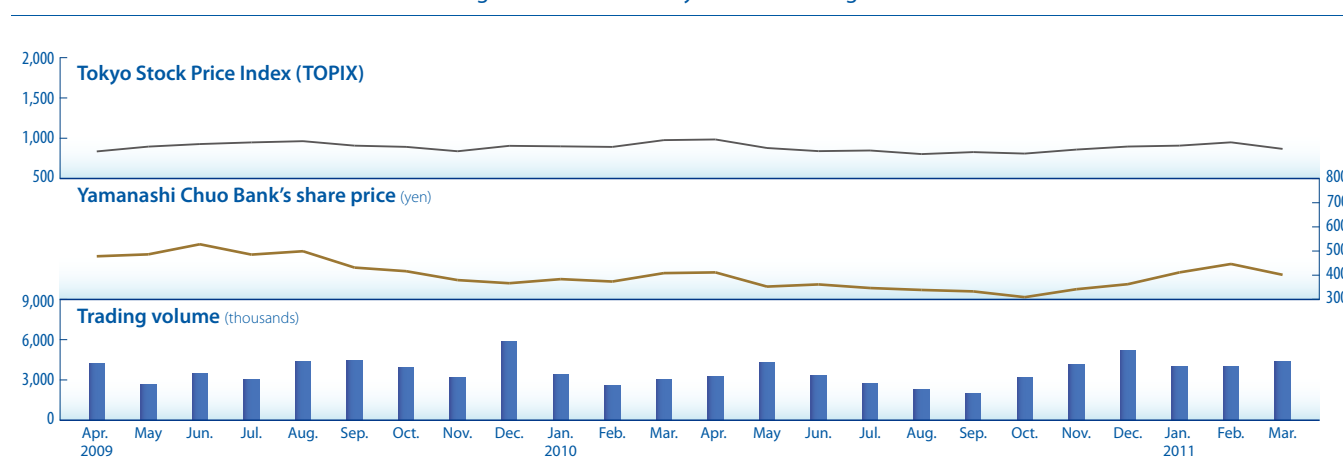
*Shares (1 trading unit: 1,000 shares)

Note: The category "Individuals and others" contains treasury stock in the number of 4,367 trading units of shares.

Major Stockholders

Name	Number of shares held (thousands)	Percentage of all shares issued (%)
Japan Trustee Services Bank, Ltd. (Trustee Account)	10,306	5.70
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	7,169	3.97
Meiji Yasuda Life Insurance Company	6,047	3.34
The Tokio marine & Nichido Fire Insurance Co., Ltd.	5,600	3.10
The Yamanashi Chuo Bank, Ltd. Employees' Stockholdings	5,346	2.96
Sonpo Japan Insurance Inc.	3,549	1.96
The Joyo Bank, Ltd.	3,217	1.78
Fukoku Mutual Life Insurance Company	3,000	1.66
Teikyo University	2,977	1.64
The Master Trust Bank of Japan, Ltd. (Trustee Account)	2,973	1.64
Total	50,186	27.79

Yamanashi Chuo Bank's Share Price and Trading Volume on the Tokyo Stock Exchange



Consolidated Subsidiaries

Name	Capital (Millions of yen)	Yamanashi Chuo Bank's share (%)	Lines of business
Yamanashi Chuo Guarantee Co., Ltd.	20	99.8	Loan guarantees
Yamanashi Chugin Lease Co., Ltd.	20	61.0	Leasing
Yamanashi Chugin DC Card Co., Ltd.	20	67.5	Credit cards
Yamanashi Chugin Management Consulting Co., Ltd.	200	85.0	Consulting, investment

Board of Directors and Corporate Auditors

(as of July 1, 2011)

Chairman

Toshihisa Ashizawa

President

Nakaba Shindo

Senior Managing Director

Mitsuyoshi Seki

Managing Directors

Shigeo Kunugi

Masao Ando

Masanobu Tanaka

Director and Advisor

Kentaro Ono

Directors

Akio Hosoda

Akihiko Inoue

Masayuki Ogihara

Tadashi Kato

Takehiro Hirose

Kimihisa Tanabe

Standing Corporate Auditors

Takehiko Sano

Yoshinori Iwama

Corporate Auditors

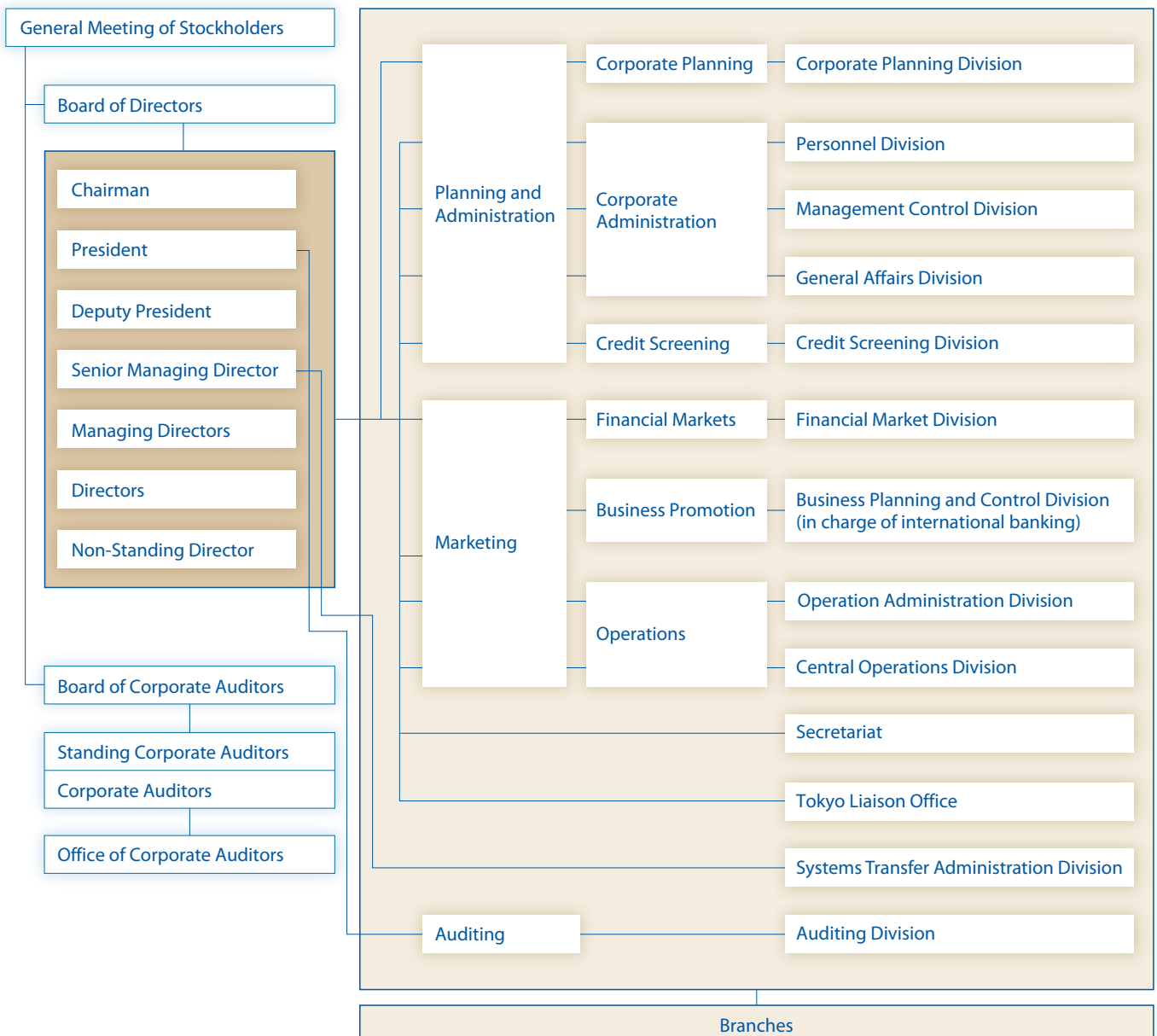
Tomomitsu Takeda

Magozaemon Takano

Toshihito Furuya

Organization

(as of July 1, 2011)



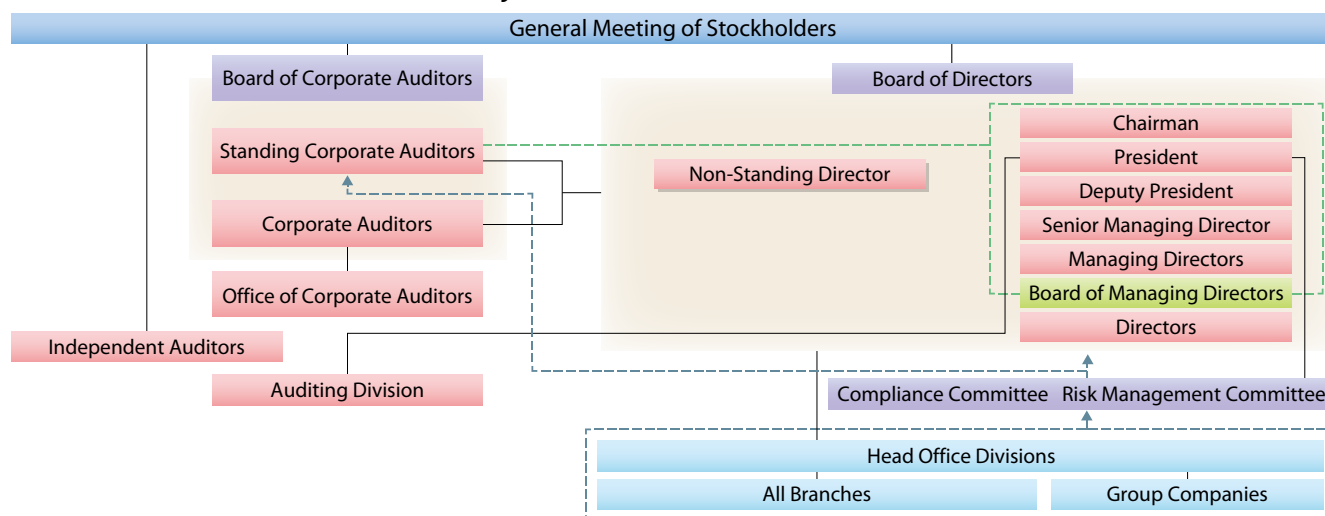
Internal Control and Risk Management

Enhancing corporate governance

Yamanashi Chuo Bank is very aware of its social responsibility as a banking institution and its public-service mission in that role. Accordingly, it aims to secure the trust of the community it serves by such means as maintaining sound management and assuring transparency of management, seeking constantly to contribute to the prosperity of the local region and the development of its economy.

To fulfill its mission, the Bank has built a stronger internal control system and organizational structure to improve its management efficiency. All staff are committed to maintaining high ethical standards, and to enhancing corporate governance through ongoing initiatives and the active disclosure of corporate activities.

The structure of the internal control system



Risk Management

The operating environment for financial institutions is changing constantly, and banks consequently face a diversifying array of increasingly complex risks. To secure a steady earnings stream into the future, it is therefore essential for the Bank to accurately ascertain the monetary value of the various risks involved in the conduct of its banking operations, and then to continuously monitor and manage those risks.

The risks to which the Bank is exposed are broadly categorized for management purposes as credit risk, market risk, liquidity risk and operational risk. To ensure integrated risk appraisal and analysis, the Bank's ALM committee and the Risk Management Committee assess the possible impact of risk materialization on the Bank's operations and work out countermeasures. The Bank uses a system of risk-adjusted capital allocation to ensure the soundness of banking operations and effective use of capital.

Compliance

With regard to the issue of compliance, we believe that our duty is not solely to abide by the law, but also to ensure the strict observance of social norms in both personal behavior and corporate ethics. We are therefore ensuring that the Bank acts as a

responsible corporate citizen in responding to the expectations of society in general. That is to say, the Bank must adapt appropriately to social changes, and we must do our utmost to protect our customers and offer them ever more convenient services.

At the Yamanashi Chuo Bank, we assign a high management priority to compliance. To maintain and reinforce the relationship of trust we enjoy with our customers, we have set up a compliance management system headed by the Compliance Committee, and we work constantly to further strengthen our compliance stance. To supervise and monitor compliance-related matters at all the Bank's offices, Compliance Officers have been appointed in each department at the Bank's Head Office and at each branch. We conduct Compliance Program every fiscal year to establish an effective compliance framework.

The program lays out concrete steps to realize compliance with the provisions of particular laws and regulations, as well as compliance training courses. The staff at the Bank's Head Office departments and its branch offices are working together to ensure adequate compliance throughout the Bank. We intend to further reinforce our compliance stance in the coming years.

THE YAMANASHI CHUO BANK,LTD.

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